

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)

Federal-State Joint Board on)

Universal Service)

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CC Docket No. 96-45

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Comments of Silver Star Telephone Company

Regarding the Federal-State Joint Board Recommended Decision

Adopted November 7, 1996

Silver Star Telephone Company (Silver Star) has its headquarters in Freedom, Wyoming, and provides services to approximately 2,200 subscribers in Wyoming in an area known as the Star Valley and approximately 500 subscribers in Idaho.

Silver Star Provides Modern and Affordable Service through Prudent Management

Silver Star has made significant commitments to rural infrastructure in order to provide modern telecommunications service to this remote and rugged area. The Company has been well recognized by its customers and the Wyoming Public Service Commission as committed to bringing modern communications to the Star Valley. Without this commitment, customers might find themselves isolated from all outside contact, as well as physically isolated, during the severe winter storms.

Silver Star has historically depended on support mechanisms, such as Weighted Dial Equipment Minutes (Weighted DEM) and federal Universal Service Funding (USF), to keep rates affordable. However, the Joint Board Recommendation creates a great deal of uncertainty as to whether modern and affordable service can be maintained in the future.

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Silver Star Telephone Company has made prudent management decisions with the goal of serving the public interest and meeting the needs of its subscribers in the Star Valley. These decisions have included:

- installing modern switching equipment,
- meeting the needs of some very remote subscribers through Basic Exchange Telecommunications Radio Service (BETRS),
- installing a fiber optic link to the nearest US West meet point, forty miles away,
- investing in professional management,
- installing modern customer service software, and
- investing in customer service and technical training for employees.

Silver Star has asked its subscribers to do their part, as well. Silver Star local service rates are well above the nationwide average for local service rates, despite a limited toll-free calling scope.

Treatment of Isolated Areas as “Insular”

The Federal-State Joint Board Recommendation suggests different treatment for insular areas, but must address the need to define “insular.” According to Webster’s Compact Dictionary, insular means, “1: relating to an island 2: isolated 3: narrow-minded.” All one has to do is consult a relief map of Wyoming to discover the Star Valley is an island in the Rocky Mountains. It is isolated from any significant population center by mountains and miles. However, due to its state-of-the art telecommunications system, its subscribers do not qualify as “narrow-minded.”

The Joint Board has recommended the “insular” areas of Alaska, Guam, Hawaii and the Virgin Islands be allowed to continue to receive Universal Service Funding based on embedded costs. Silver Star believes there are areas of the contiguous United States which have similar characteristics to Alaska, Guam, Hawaii and the Virgin Islands with respect to costs supported by Universal Service mechanisms. Silver Star recommends

that the FCC establish criteria which would allow rural telephone companies to be designated as serving "insular" areas. Such criteria could be established in the FCC's Order in this proceeding, or the FCC could explicitly provide for exemption filings for companies, such as Silver Star, to continue to receive Universal Service Funding based on embedded costs. Such exemptions would be based on geographic factors which make it difficult and costly to provide telecommunications service.

Silver Star's service area has many characteristics in common with the service areas identified by the Joint Board Recommendation as being insular. These characteristics include:

- The Star Valley is geographically isolated from the surrounding area;
- The Star Valley is geographically distant from any large town, which requires long extensive interexchange transport facilities;
- The Star Valley is often totally isolated from the world by winter storms, resulting in additional maintenance costs and an increased requirement for essential telecommunications;
- The construction window for the Star Valley is very short, approximately four months;
- The terrain is difficult, being rocky and mountainous, and
- Special equipment is required to access equipment sites during the (long) winter season.

In terms of the recommended functioning of the new Universal Serving Fund, companies such as Silver Star may actually be in greater need of funding based on embedded costs than the identified insular areas of Alaska, Hawaii, Guam and the Virgin Islands. The new Universal Service Fund has two mechanisms (current USF and Long Term Support [LTS]) which support local loop costs. The third mechanism supports high local switching costs (Weighted DEM). However, the high costs associated with the identified insular areas are not only related to high loop and switching costs, but are heavily related to exceedingly long *interexchange transport requirements*. Therefore, since specific

acknowledgment is made of such companies even when the proposed new USF mechanisms do not address the interexchange transport costs in any way, it would be appropriate for similar treatment to be extended to other companies which have similar cost drivers for provision loop and switching functions.

One characteristic of the defined insular areas is that the population tends to be clumped in closely packed communities. This characteristic actually minimizes loop and switching costs. However, in the areas served by Silver Star, the population is spread all over the Star Valley and well up into the mountains. Thus, Silver Star's high loop costs, exacerbated by the short construction window and rugged conditions, may be naturally higher than those experienced by the companies serving the defined insular areas.

Exclusion of Second Homes

A portion of the subscriber base in Silver Star's service area consists of second homes of subscribers whose primary residence is in another area of the United States. Silver Star has treated these customers with the same attitude toward service as it does all of its subscribers. It costs just as much to serve these subscribers as it does the full time residents of the Star Valley. In addition to Silver Star's personal commitment to service, it is required by State and Federal law to act as Carrier of Last Resort for these subscribers. If Silver Star is to suddenly lose the support funding which has allowed it to provide local service for \$22 per month, it would have to at least double its local rates to these subscribers, with the likely impact that these subscribers would become former subscribers. Silver Star fails to see how this is in the public interest, or how these subscribers do not have public interest needs when they are located in their second homes in the Star Valley. These subscribers still need access to health, emergency and community services, especially when winter storms may make rural roads impassable for several days or a week at a time.

In addition to the public interest concerns expressed above, Silver Star is uncertain how to implement the Recommendation's requirement to classify subscriber locations as primary or secondary residences. It may be difficult to get an accurate response from the subscriber if the answer can result in a \$20 to \$30 increase in monthly rates for local service.


Summary Recommendations

Silver Star respectfully requests the FCC take note that there are areas, served by rural telephone companies in the contiguous United States, which will not be well served by a transition to a proxy model basis of Universal Service Funding. These areas will be better served by allowing the serving rural telephone companies to continue to receiving Universal Service Funding based on embedded costs. Based on the record, it seems unlikely that any generic proxy model adopted for purposes of USF funding will accurately model the costs of service in Silver Star's Star Valley service area.

Silver Star requests the FCC to acknowledge the public interest issues, as well as administrative impossibility, of eliminating USF support for single lines to second homes. Such locations continue to need access to modern and reliable communications.

Respectfully Submitted

Silver Star Telephone Company

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December 16, 1996

CERTIFICATE OF SERVICE

I, Michael, T. Skrivan, hereby certify that I have on this 16th day of December, 1996, sent via U.S. First Class Mail, postage prepaid, a copy of the foregoing Comments of Silver Star Telephone Company, in the Matter of Regarding the Federal-State Joint Board Recommended Decision Adopted November 7, 1996, filed this date with the Office of the Secretary, Federal Communications Commission, to the persons on the attached service list

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